

Message Text

LIMITED OFFICIAL USE

PAGE 01 KHARTO 01824 051259Z

53

ACTION EB-07

INFO OCT-01 AF-06 EUR-12 NEA-10 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02

PA-01 PRS-01 USIA-06 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 DOTE-00 /103 W

----- 082861

R 051144Z AUG 75

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 198

INFO AMEMBASSY ABU DHABI

AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

LIMITED OFFICIAL USE KHARTOUM 1824

E.O. 11652: N/A

TAGS: EFIN, SU

SUBJECT: FOREIGN EXCHANGE CRISIS?

REF: KHARTOUM A-71, JULY 7, 1975

BEGIN SUMMARY: GOS HAS ESTABLISHED FOREIGN EXCHANGE "FOLLOW-UP COMMITTEE," THUS INDICATING SITUATION HAS BECOME CRITICAL. BASIC PROBLEM IS INABILITY MOVE SUDANESE EXPORTS. RUMOR HAS IT SAUDI AID BEING SOUGHT TO BUY TIME UNTIL FINANCIAL PICTURE IMPROVES. END SUMMARY.

1. BEGIN UNCLASSIFIED: PRESS REPORTED AUG. 3 THAT MINFINANCE AND NATIONAL ECONOMY MAMOUN BIHEIRY HAD DECIDED ESTABLISH "FOLLOW-UP COMMITTEE" IN ATTEMPT CONFRONT WHAT INCREASINGLY IS LOOKING LIKE COUNTRY'S MOST SEVERE FOREIGN EXCHANGE CRISIS IN RECENT YEARS. TO BE CHAIRED BY MINFIN ASSISTANT UNDER SECRETARY FOR TRADE AND SUPPLY ABDEL MONEIM KHALIFA KHOGALI, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 KHARTO 01824 051259Z

COMMITTEE WILL INCLUDE REPS FROM BANK OF SUDAN, MINFIN,

NATIONAL PLANNING COMMISSION, AND REGIONAL MIN OF TRADE, INDUSTRY AND SUPPLY. GROUP WILL (A) MONITOR FOREIGN EXCHANGE REVENUES; (B) SET DATES FOR REPAYMENT OF FINANCIAL OBLIGATIONS; (C) DISTRIBUTE FOREIGN EXCHANGE TO COVER OBLIGATIONS ALREADY INCURRED BY GOS IN IMPLEMENTATION OF RECURRENT AND DEVELOPMENT BUDGETS; (D) SET PRIORITIES FOR USE OF EXTRA (UNOBLIGATED) FOREIGN EXCHANGE BY PRIVATE SECTOR AND GOVERNMENT; (E) MAKE PERIODIC ADJUSTMENTS IN EXPENDITURE LEVELS IN LIGHT OF ACTUAL FOREIGN EXCHANGE REVENUES; AND (F) ESTABLISH NEW SYSTEM OF FOREIGN EXCHANGE MANAGEMENT AND CONTROL. END UNCLASSIFIED.

2. BEGIN LOU: NEW COMMITTEE, WHICH LONG OVERDUE, IS FIRST PUBLIC INDICATION OF REPORTS REACHING EMBASSY THAT FOREIGN EXCHANGE SITUATION HAS BECOME CRITICAL. BANK OF SUDAN OFFICIALS TOLD VISITING US BANK DELEGATE GOS WAS "BROKE," AND ASKED FOR \$10 MILLION CREDIT LINE. FOR FIRST TIME, LOCAL LICENSEE OF ADMIRAL APPLIANCES HAS COMPLAINED THAT REMITTANCES TO US SUPPLIER HAVE BEEN HELD UP BY SUDANESE BANK, APPARENTLY FOR NO OTHER REASON THAN LACK OF COVER. PURCHASES OF WHEAT DEEMED ESSENTIAL FOR SUDAN FY 1976 CONSUMPTION (KHARTOUM 1449) REPORTEDLY DEPEND SOLELY ON AVAILABILITY OF FINANCING. BUSINESSMAN'S USUAL COMPLAINING ABOUT IMPORT LICENSE DROUGHT HAS BECOME EVEN MORE VOCIFEROUS LATELY.

3. REASONS FOR CRISIS NOT HARD TO FIND. ON TOP OF MAJOR EXPENDITURES FOR DEVELOPMENT PROJECTS, SUDAN IS HAVING TO PAY MORE AND MORE FOR OIL (PURCHASES FROM IRAQ CALL FOR TWO-THIRDS CASH DOWN PAYMENT, NOT ONE-THIRD AS IN IRAN DEAL), SUDAR, WHEAT, FERTILIZER, CHEMICALS AND EVEN TEXTILES. MEANWHILE, COTTON IS PILED UP VIRTUALLY UNSOLD, LIVESTOCK AND MEAT EXPORTS REMAIN EMBARGOED FOR DOMESTIC POLITICAL REASONS, AND GUM ARABIC MARKET IS VERY SLUGGISH. ONLY OIL SEEDS HAVE MOVED WELL, AND EXPORT OF EVEN THIS COMMODITY HAS BEEN DELAYED EITHER BECAUSE SHIPPERS HAD SOUGHT TRANSPORT SAVINGS RESULTING FROM SUEZ CANAL OPENING OR BECAUSE SUDAN RAILWAYS OR PORT SUDAN HARBOR (NOW CONGESTED) HAS FAILED TO HANDLE GOODS PROMPTLY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 KHARTO 01824 051259Z

4. DESPITE APPARENT BLEAKNESS, EMBASSY CONTINUES TO FEEL UNDERLYING FACTORS FAVOR IMPROVEMENT IN FOREIGN EXCHANGE SITUATION. MOST IMPORTANT IS THAT COMMODITIES ARE AVAILABLE TO SELL IN LARGE QUANTITIES (E.G., 1.2 MILLION BALES OF COTTON WORTH AT LEAST \$250 MILLION AND 30,000 TONS OF GUM WORTH ABOUT \$40 MILLION). ONCE SLUGGISH WORLD ECONOMIES PICK UP, SUDAN EXPORTS SHOULD TOO. SECOND, THERE ARE VARIOUS SIGNS (INCLUDING FORMATION OF COMMITTEE DESCRIBED

IN PARA 1) THAT ECONOMIC TEAM HEADED BY MAMOUN BIHEIRY IS TAKING STEPS TO GET HANDLE ON FOREIGN EXCHANGE PROBLEM SO AS TO MINIMIZE EFFECTS OF TEMPORARY DETERIORATIONS IN TERMS OF TRADE. FINALLY, POSSIBILITY OF MASSIVE ARAB FINANCIAL RESCUE CANNOT BE RULED OUT. SUDANESE HAVE BENEFITED FROM NUMEROUS CASH LOANS IN PAST, AND SAUDIS APPEAR SLIGHTLY MORE WILLING THAN THEY WERE TO OPEN THEIR HITHERTO CLENCHED FIST. RUMOR AROUND TOWN IS THAT RECENT TRIP OF DR. BAHA EL-DIN IDRIS (MIN OF STATE FOR SPECIAL AFFAIRS IN OFFICE OF PRESIDENCY) TO SAUDI ARABIA WAS FOR PURPOSE OF SEEKING \$300 MILLION CASH LOAN AND THAT PRESIDENT SADAT HAD AGREED TO "PUT IN A GOOD WORD" FOR SUDAN WITH KING KHALID. LOCAL PUBLICITY AUGUST 3 UPON IDRIS'S RETURN WAS LIMITED TO STATEMENT THAT HE HAD CARRIED MESSAGES TO AND FROM KHALID REGARDING "ARAB QUESTIONS" AND "CONSOLIDATION OF THE BILATERAL RELATIONS BETWEEN THE TWO COUNTRIES". GRANTING BY SAUDIS OF EVEN 10 PER CENT OF RUMORED REQUEST WOULD BUY SUDAN IMPORTANT TIME TO GET ITS FINANCIAL HOUSE IN ORDER AND SOLVE SOME OF PROBLEMS WHICH HAVE HITHERTO HINDERED MARKETING OF ITS PRODUCE. END LOU

BERLIND

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL STABILITY, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 05 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KHARTO01824
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750269-1162
From: KHARTOUM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750882/aaaacukt.tel
Line Count: 137
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 KHARTOUM A-71
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUN 2003 by BoyleJA>; APPROVED <12 NOV 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN EXCHANGE CRISIS?
TAGS: EFIN, SU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006